

Gerald C. Bender (GB-5849)  
Lawrence A. First (LF-9650)  
Janice Mac Avoy (JM-8561)  
FRIED, FRANK, HARRIS, SHRIVER  
& JACOBSON  
(A Partnership Including  
Professional Corporations)  
Attorneys for Debtors  
and Debtors-in-Possession  
One New York Plaza  
New York, New York 10004  
(212) 859-8000

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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:  
In re: : Chapter 11  
: Case Nos. 00 B 41065 (SMB)  
RANDALL'S ISLAND FAMILY GOLF : through 00 B 41196 (SMB)  
CENTERS, INC., et al., :  
: (Jointly Administered)  
Debtors. :  
:  
- - - - -X

STIPULATION AND ORDER MODIFYING  
ADMINISTRATIVE SERVICES AGREEMENT

WHEREAS, on May 4, 2000 (the "Filing Date"), each of the  
above-captioned debtors and debtors-in-possession (collectively, the  
"Debtors") filed with this Court a voluntary petition for relief under  
chapter 11 of the Bankruptcy Code. By order of this Court dated as of the  
Filing Date, the Debtors' chapter 11 cases are being jointly administered.  
Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors are  
continuing to operate their businesses and manage their properties as  
debtors-in-possession;

WHEREAS, prior to the Filing Date, Alta Health  
& Life Insurance Company ("Alta"), formerly known as Anthem

Health & Life Insurance Inc., and Family Golf Centers, Inc. ("Family Golf"), one of the above-referenced Debtors, entered into an Administrative Services Agreement, effective as of January 1, 1998 (the "Agreement"), which provides, among other things, that Alta will provide claims processing services to Family Golf in connection with various health insurance plans that Family Golf provides to employees eligible under those plans;

WHEREAS, Family Golf and Alta have had disagreements with respect to certain aspects of the Agreement, including the timing and amount of payments due thereunder;

WHEREAS, Alta has indicated that certain modifications to the Agreement must be made in order for its claims processing services to continue;

WHEREAS, Family Golf believes that the continuation of services by Alta to Family Golf under the Agreement is in the best interests of the Debtors' estates because continuing to work with Alta will ensure that the Debtors' employees and their families receive uninterrupted medical and other health-related care and avoid any disruption engendered by a switch to another claims administrator;

WHEREAS, the essential terms of this Stipulation have been provided to counsel for the Official Committee of Unsecured Creditors (the "Creditors Committee") in the Debtors' chapter 11 cases and to counsel for The Chase

Manhattan Bank ("Chase"), as agent under the Debtors' post-petition financing facility, and both the Creditors' Committee and Chase have indicated that they have no objection to the proposed changes to the Agreement and this Stipulation;

WHEREAS, Alta and Family Golf desire to modify the Agreement on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and between Alta and Family Golf, as follows:

1. Subject to the immediately succeeding sentence, promptly following the occurrence of the Effective Date (as such term is defined in paragraph 9 below), Family Golf will pay to Alta in respect of the period from the Filing Date through July 31, 2000 (the "Subject Period") any outstanding post-petition amounts owed to Alta under the Agreement (including any unpaid claims reimbursements and fixed costs). Both parties hereby agree that the calculation of the portion of such outstanding post-petition amounts that relate to fixed costs will be estimated based upon the December 1999 eligibility roster previously delivered to Alta by Family Golf that reflects the status of the Family Golf account as of December 1999. Once the eligibility figures have been updated, as set forth below in paragraph 7 of this Stipulation, both Family Golf and Alta will adjust the fixed cost amounts due to Alta under the Agreement for the Subject Period and any period following the Subject Period through the

date such figures are so updated and each party will provide any additional funding or credits then due, as appropriate.

2. Both parties agree that Family Golf is not required to pay to Alta in respect of the period prior to the Filing Date any outstanding pre-petition amounts owed to Alta under the Agreement. Nothing in this Stipulation shall (i) preclude or otherwise limit Alta's right to file such claims as may be necessary to assert its right to payment of such pre-petition obligations; (ii) constitute a determination as to the validity or amount of any claims held by Alta in respect of outstanding pre-petition amounts, or (iii) prohibit or otherwise limit the right of the Debtors, the Creditors' Committee, or any bankruptcy trustee for the Debtors, from asserting any defense, offset or counterclaim, or otherwise challenging, any such claims.

3. Family Golf will remain current on all of its continuing, post-petition obligations under the Agreement, except as modified by the terms added as part of this Stipulation, subject to the rights that the parties may have to contest the other party's performance thereunder.

4. Family Golf will make claims reimbursement payments to Alta on the second business day following the 15th day of every month and the last business day of every month. Not later than 5 days following the Effective Date, the Debtors will establish a bank account that can be accessed by Alta electronically for all future claims reimbursement

payments under the Agreement. All payments will be made by wire transfers; such wire transfers will be initiated by Alta.

5. Family Golf will make fixed costs payments to Alta on the first business day following the first day of each month, subject to a 31-day grace period starting with the first day of said month, as provided by the Agreement. Once the eligibility figures have been updated as set forth below in paragraph 7 of this Stipulation, the Debtors will be responsible for all premium self-accounting responsibilities under the Agreement (including completion of self-accounting statements, updating eligibility information, and verifying eligibility and benefits on an ongoing basis).

6. Promptly following the Effective Date, pursuant to an escrow agreement which shall contain terms and provisions reasonably satisfactory to both parties, Alta will establish an escrow account, and the Debtors will deposit into such escrow account a security deposit in the amount of \$65,000. If Family Golf fails to make any post-petition payments due under the Agreement, subject to any applicable grace periods, as modified by this Stipulation, Alta will have the right to use any and all funds on deposit in the escrow account to obtain payment for any such default. In the event the Agreement is terminated by either party by its terms and all performance by both Family Golf and Alta has been completed, Alta will return the balance of the deposit, if any, to the Debtors or any successor entities, as applicable.

7. Family Golf and Alta will work together on a joint basis to fix all existing problems associated with eligibility under the Agreement, and both parties agree to supply the necessary data to resolve these issues in order to enable Family Golf to calculate the fixed costs as they become due. This process shall be completed no later than 30 days following the Effective Date, unless otherwise extended upon written consent by both parties.

8. Alta represents and warrants that it has full power and authority to execute this Stipulation. Family Golf represents and warrants that it has full power and authority to execute this Stipulation, subject to authorization and approval of the Bankruptcy Court.

9. This Stipulation and its implementation are subject to authorization and approval by the Bankruptcy Court. Other than the obligations of this paragraph 9 hereof, this Stipulation shall not become effective until the first business day following the day that (i) the Stipulation has been "So Ordered" by the Bankruptcy Court and (ii) such order of the Bankruptcy Court is final (i.e., (a) no longer subject to approval or certiorari proceeding or (b) if a timely approval has been filed, a stay has not been entered pending appeal) (the "Effective Date"). Other than the obligations of this paragraph 9 hereof, should the Effective Date not occur, this Stipulation shall be null and void and of no force and effect and shall be without prejudice to the parties hereto and shall not be referred to by either of the

parties hereto for any purpose whatsoever except as to and for the purposes of this paragraph 9 and each party shall be restored to its respective position existing immediately prior to the execution of this Stipulation without prejudice, as if this Stipulation and the agreement upon which this Stipulation is based were never agreed to by the parties.

10. Both parties agree that nothing in this Stipulation shall constitute an assumption of the Agreement (as modified herein or otherwise) pursuant to section 365 of the Bankruptcy Code. Notwithstanding anything to the contrary contained herein, the Debtors reserve all of their rights in respect of assumption or rejection of the Agreement pursuant to section 365 of the Bankruptcy Code.

11. Except as modified by this Stipulation, the Agreement shall remain in full force and effect. Nothing in this Stipulation shall be deemed to constitute a waiver of compliance by any of the parties of any term, provision or condition of the Agreement or prejudice any right or remedy the parties may have in connection with the Agreement.

12. The Bankruptcy Court shall retain jurisdiction to resolve any disputes between the parties arising with respect to this Stipulation.

13. This Stipulation may be executed in two or more counterparts, each of which shall constitute an original, but all of which, taken together, shall constitute one and the same document.

14. This Stipulation may not be amended or modified except by further order of the Bankruptcy Court.

Dated: New York, New York  
September 18, 2000

FAMILY GOLF CENTERS, INC.,  
a debtor-in-possession  
538 Broadhollow Road  
4th Floor  
Melville, NY 11747

By: /s/ Pamela S. Charles

ALTA HEALTH & LIFE INSURANCE  
COMPANY  
8525 East Orchard Road  
Englewood, Colorado 80111

By: /s/ Cherie Emmons

SO ORDERED

This 26<sup>th</sup> day of **October**, 2000

/s/ STUART M. BERNSTEIN  
UNITED STATES BANKRUPTCY JUDGE

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